

PUBLIC DISCLOSURE

April 12, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**ENERBANK USA
Certificate Number: 57293**

**1245 East Brickyard Road, Suite 640
Salt Lake City, Utah 84106**

**Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **EnerBank USA (EB)** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **April 12, 2010**. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. This evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

This institution elected to be evaluated under the Strategic Plan Option (Plan). The Plan approved by the agency, sets forth goals for satisfactory and outstanding performance.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Outstanding. An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including LMI neighborhoods, in a manner consistent with its resources and capabilities.

EB's CRA performance depicts an outstanding record of helping to meet the credit needs of its assessment area, as outlined by the Plan. The evaluation covered Plan years 2005, 2007, 2008, and 2009. Performance for 2006 was not evaluated during this review, as the bank was not operating under an FDIC approved Plan for this Plan year (see Scope for additional information). The following supports an outstanding performance rating:

- Cumulative community development (CD) loans and investments met bank established goals for "Satisfactory" performance in Plan year 2005. In Plan years 2007, 2008, and 2009, EB exceeded the minimum goal for "Outstanding" performance.
- CD grants and donations met bank established minimum goals for "Satisfactory" performance in 2005, 2007, and 2008; and exceeded established minimum goals for "Outstanding" performance for 2009.
- CD service hours exceeded bank established minimum goals for "Outstanding" performance for three of the four Plan years. EB did not meet the minimum CD service hour requirements to meet "Satisfactory" performance for 2005. However, more weight is given to CD service hours performed during 2007 through 2009.
- EB has not received any complaints relating to its CRA performance.

In addition, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

SCOPE OF EXAMINATION

EB's performance with respect to the Plan examination procedures included analysis of the following five performance criteria: EB's CD loans and investments; CD donations and grants; and CD services. In addition, EB's level of innovativeness represented by CD activities; and response to complaints regarding its CRA performance were also reviewed.

During this CRA evaluation period, EB operated under two approved FDIC Plans. The first Plan, hereafter referred to as Plan A, was approved by the FDIC on January 27, 2004, and was established for Plan years 2004 and 2005. Performance for Plan year 2004 was evaluated at the previous CRA Evaluation conducted February 22, 2005. A second Plan, hereafter referred to as Plan B, was approved by the FDIC on September 22, 2006. According to Plan B, it would be effective as of the date of FDIC approval for "Plan years 1, 2, and 3." As Plan B was approved based on annual performance, calendar years 2007, 2008, and 2009 were reviewed. Bank management did not submit a Plan to the FDIC for the Plan year beginning in 2006, which resulted in a lapse of approved performance measurements from January 1, 2006, through September 22, 2006. As the bank was not operating under an FDIC-approved Plan with established performance goals for the majority of 2006, performance for this year was not evaluated or rated at this CRA review. However, as the review period included four Plan years, 2005, 2007, 2008, and 2009, exclusion of 2006 performance does not significantly impact the bank's overall CRA rating.

Plan A and B include measurable goals for CD lending/investments, grants, and services. The primary focus of these goals is to address identified needs for affordable housing, financial education, and community services targeted to LMI individuals in EB's designated assessment area.

This evaluation relies upon records and reports provided by EB, publicly available financial information, demographic data, and information gathered as part of the evaluation process, including recent community contacts. The evaluation reflects EB's CRA performance since the previous evaluation, conducted by the FDIC, on February 22, 2005. The evaluation was conducted from EB's only office in Salt Lake City, Utah. Examiners evaluated EB's CRA performance in the context of the following:

- The current economic environment,
- Demographic characteristics of its assessment area,
- CD opportunities within its assessment area,
- Financial resources and constraints,
- Institution product offerings and business strategy, and
- Information derived from community contacts.

DESCRIPTION OF INSTITUTION

EB is a Utah chartered industrial bank which opened for business on June 3, 2002. EB is a wholly-owned subsidiary of CMS Energy Corporation, located in Jackson, Michigan. EB operates from a single, non-retail office located in Salt Lake County, which is within the Salt Lake City, Utah Metropolitan Statistical Area (MSA) #41620. As of December 31, 2009, EB's assets totaled \$284 million, which is an increase of 429 percent since the previous CRA Evaluation conducted as of February 22, 2005, when assets totaled approximately \$66 million.

EB does not solicit walk-in business, maintain branch offices or deposit-taking automatic teller machines, or offer a wide range of loan or deposit products, as do typical retail banks. Credit products are offered through strategic business partners and deposits are acquired through brokers. Brokered deposits comprise 100 percent of total deposits. As of December 30, 2009, EB had total loans of \$264 million, and total deposits of \$215 million.

EB specializes in providing unsecured home improvement and home energy loans through strategic business partners in all 50 states and the District of Columbia. EB has longstanding relationships with large independent contractors and leading home improvement manufacturers, distributors, and franchisors, as well as their dealer networks.

EB received a "Satisfactory" rating under the CRA Plan procedures at its prior CRA Evaluation, dated February 22, 2005. There are no apparent legal or financial impediments, which would prohibit EB from meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

Demographic Information

EB has defined its assessment area as Salt Lake County, which contains the largest population concentration in Utah. As of 2009, Salt Lake County had over 1.1 million residents. Table 1 shows key demographic information for Salt Lake County.

Table 1 Salt Lake County Demographics					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	193	3	22	47	28
Population by Geography	898,387	1	23	49	27
Owner-Occupied Housing by Geography	203,690	0	17	52	31
Business by Geography	109,522	8	22	41	29
Farms by Geography	1,591	4	18	44	34
Family Distribution by Income Level	215,864	17	20	25	38
Distribution of LMI Families throughout assessment area	79,691	3	22	47	28
Median Family Income		54,586	Median Housing Value		165,698
Housing and Urban Development (HUD) Adjusted Median Family Income (MFI) for 2009		67,800	4th Quarter 2009 Unemployment Rate		6.2 %
Households Below Poverty Level		8%			

Source: 2000 U.S Census, 2009 HUD updated MFI, 2009 D&B Business Data, and Haver Analytics

Economy

According to Moody's Economy.com, December 2009, the economy in the greater Salt Lake City area over the last two years has followed national trends regarding increased unemployment, although to a lesser extent. According to Moody's Economy.com, December 2009, the unemployment rate for Salt Lake City had risen by more than 6 percent since early 2008. However, this remained well below the national average. The Salt Lake City unemployment rate for December 2009 was 5.7 percent, and 6.3 percent overall for the State of Utah. In comparison, the unemployment rate for the United States was 9.5 percent for the same time period.

Competitive Environment

According to the June 30, 2009, FDIC Summary of Deposits, there was a total of 54 FDIC insured financial institutions with offices or branches located in Salt Lake County. EB ranks 29th in deposit market share, holding .06 percent of the county's \$282 billion in total deposits.

The State of Utah Department of Financial Institutions, as of June 30, 2009, lists total Utah depository institutions at 166 with \$396 billion in total assets. Of that total, 35 were commercial banks with combined assets of \$158 billion, 101 were credit unions with \$15 billion in combined

assets, 24 were industrial banks with \$174 billion in combined assets, and 6 were savings and loan associations with \$49 billion in combined assets.

Bank Identified Community Credit Needs

EB identified the primary focus of both Plans A and B as the development of long-term, informal partnerships with local community groups. EB noted that these organizations are generally acknowledged as highly effective in addressing the needs of the community. The Plans stated that the bank's CRA activities would focus on financial education, training and affordable housing. A supplemental focus of the Plans is to make unsecured home improvement loans available to LMI borrowers in Salt Lake County.

Community Contacts

In conjunction with this evaluation, information from existing community contacts was reviewed to determine the CD needs of the assessment area. The director of a local housing authority explained that there is a critical need for housing for the homeless, services for senior citizens, and transitional housing for people affected by recent mortgage troubles. The organization is involved in affordable housing development. The contact stated that local community and financial institution involvement with the organization has been strong. One example of financial institution involvement the contact mentioned was the assistance provided through a statewide community reinvestment corporation that has developed affordable housing. The contact stated that there continues to be a need for additional affordable housing assistance, school programs, services for seniors, and other related community services.

The director of a local CD corporation echoed the ongoing need for affordable housing in the greater Salt Lake area. This contact noted that the housing situation in Utah had followed the national trend and faces the same issues and challenges that result from falling real estate prices and escalating foreclosures. The contact also stated that there is greater demand for affordable housing along the greater Salt Lake area than available resources and as a result there is a critical need for housing for veterans, refugees, homeless, senior citizens, and transitional housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE IN SALT LAKE COUNTY

EB's CRA performance depicts an outstanding record of helping to meet the credit needs of its assessment area, as outlined by the Plans, in a manner consistent with its resources and capabilities. The following evaluations cover CRA performance for 2005, 2007, 2008, and 2009, under each year's respective Plan's goals. A significant portion of EB's Plans focus on cumulative CD loans and investments. Therefore, the most weight in determining a rating was placed on the bank's CD lending and investment CD performance. To a lesser degree, CD grants, donations and CD service hours are evaluated and considered in the overall rating.

Combined Cumulative Community Development Lending and Investments

Overall, EB has achieved its goals for an outstanding level of CD loans and investments. The measurable goal for lending and investments consist of cumulative CD loans and investments expressed as a percentage of EB's average assets for the previous year. The calculation is cumulative; thus, not requiring a certain percentage of new loans and investments each year. The cumulative amount includes the total of EB's year-end CD loans and investments and the amount of all other CD loans and investments made during the Plan year minus any pay downs or called investments. EB's average assets for each Plan year are calculated using the amounts from line 9 of Schedule RC-K from EB's quarterly Call Reports. Table 2 reflects EB's cumulative CD loans and investments and the goals achieved for each Plan year.

Table 2 Cumulative Community Development Loans and Investments						
Plan Year	Bank Established Goals		Bank Performance			Plan Goal Met or Exceeded
	Satisfactory	Outstanding	Loans/Investments Total (000s)	Average Assets (000s)	Actual Performance	
2005	.75%	1.25%	\$575	\$71,289	.81%	Satisfactory
2006	No Plan in Effect		\$1,828	\$112,117	1.63%	No Goals in Effect
2007	1.00%	1.30%	\$2,610	\$155,640	1.68%	Outstanding
2008	1.10%	1.40%	\$3,290	\$184,206	1.79%	Outstanding
2009	1.25%	1.50%	\$4,026	\$219,822	1.83%	Outstanding

Source: EB records and EB Plans A and B.

Cumulative CD loans and investments met established minimum goals for "Satisfactory" performance for Plan year 2005. In Plan years 2007, 2008, and 2009, EB substantially exceeded the minimum goal for "Outstanding" performance.

As reported by community contacts utilized for the CRA Evaluation, organizations focusing on affordable housing are among those in greatest demand of funding. EB has sufficiently applied investment funds toward organizations that meet these identified credit needs. Table 3 itemizes the organizations and investment funds that received benefit of EB's investment activities by Plan year.

Table 3 Community Development Loans and Investments Breakdown					
Community Development Activity	Plan Year				
	2005	2006	2007	2008	2009
Investment (000s)					
Affordable Housing Bonds	\$575	\$1,365	\$2,155	\$2,945	\$2,650
Mortgage Back Securities	\$0	\$463	\$455	\$345	\$1,376
TOTAL	\$575	\$1,828	\$2,610	\$3,290	\$4,026

Source: EB records

The investments included Utah Housing Bonds and Federal Agency Mortgage Backed Securities with underlying collateral in residential real estate loans made to LMI individuals. These

investments support affordable housing and mortgage financing programs to LMI individuals in the bank's assessment area of Salt Lake County.

EB also originates unsecured home improvement loans to LMI individuals in the assessment area. The loans are considered by bank management as supplemental to the performance goals established for cumulative CD lending and investment and, therefore, are not included in the preceding analysis. Based on EB records, the bank originated 142 home improvement loans to LMI individuals in the assessment area, totaling \$725,000, for the combined years of 2007 through 2009. The bank's lending efforts to LMI individuals in the assessment area are recognized as additional support for the bank's outstanding performance in its assessment area.

Community Development Grants and Donations

Overall, EB has achieved its goals for a satisfactory level of CD grants and donations to qualified entities. EB's Plans set a minimum dollar amount goal for total CD grants and donations for each Plan year. In 2005, 2007, and 2008, EB met the minimum bank established goals for "Satisfactory" performance. EB exceeded the goal for "Outstanding" performance in 2009, as illustrated in Table 4.

Table 4 Community Development Grants and Donations				
Plan Year	Bank Established Goals		Bank Performance	Plan Goal Met or Exceeded
	Satisfactory	Outstanding	Grant/Donation Total (000s)	
2005	\$7,500	\$15,000	\$7,500	Satisfactory
2006	No Plan in Effect		\$13,750	No Goals in Effect
2007	\$12,500	\$15,000	\$14,125	Satisfactory
2008	\$13,000	\$15,500	\$13,000	Satisfactory
2009	\$13,500	\$16,000	\$17,650	Outstanding

Source: EB records and EB Plans A and B.

When determining EB's overall CRA rating, lesser weight was placed on CD donations due to the relatively low volume of activity. During the four year review period, EB donated to seven different CRA qualified organizations that primarily provide CD services, affordable housing, and revitalization to LMI populations. Among these organizations, 2 received cumulative donations of \$5,000 or more over the 4 year examination period and are described below.

Underprivileged School Sponsorship – Donations were provided to sponsor two local Title 1 elementary schools through a local financial education organization. This organization provides student education concerning workforce readiness, entrepreneurship, and financial education through experiential, hands-on programs.

Employment Services – Donations were provided in all four Plan years to fund a non-profit organization dedicated to helping reduce the number of children living in poverty by helping low-income women (primarily single mothers) build better futures for themselves and their children through long-term employment.

Community Development Services

Overall, EB has achieved its goals for an outstanding level of CD service hours to qualified entities. While EB did not meet the required number of hours for satisfactory performance in 2005, they substantially exceeded the volume of hours required for outstanding performance during the years 2007, 2008, and 2009. Table 5 reflects EB's total CD service hours and the goals achieved for each evaluated Plan year.

Table 5 Community Development Service Hours				
	Bank Established Goals		Bank Performance	Plan Goal Met or Exceeded
Plan Year	Satisfactory	Outstanding	Qualified Service Hours	
2005	96	145	66	Needs Improvement
2006	No Plan in Effect		83	No Goals in Effect
2007	100	120	169	Outstanding
2008	105	130	511	Outstanding
2009	110	145	577	Outstanding

Source: EB records and EB Plans A and B.

EB personnel are responsive to the community by providing the following services that may not always be available through current federal/state funding or other non-profit activities. Table 6 describes the service activities in greater detail:

Table 6 Qualified Community Development Service Hours						
Qualifying Services	Activities	2005	2006	2007	2008	2009
Financial Education for Students	Provide financial education training to LMI students at 3 different schools.	2	48	31	26	8
Credit, Legal, Homebuyer, and Employment Education	Teach classes and provide assistance to LMI adults in various forums and languages.	46	31	70	7	
Board or Committee Service to Qualifying Entities	Board and committee service to entities engaged in CD activities	4	4	39	10	16
Essential Services for LMI individuals	Provide assistance to LMI individuals through nonprofit organizations in various areas such as legal services, after school programs, shelter, and tax preparation services	3		10	457	553
Additional CD Services including Social Services to Native Americans	Variety of qualified services provided	11		19	11	
TOTAL OVERALL HOURS		66	83	169	511	577

Source: EB records

Some examples of the responsiveness of EB's CD services to identified community needs are as follow:

EB identified the need for preparation of tax returns for LMI individuals who could not pay for this service. Numerous employees provided a substantive number of hours to provide this assistance through a local volunteer income tax assistance program. Targeted individuals are LMI and include disabled, elderly, and those with limited English-speaking capabilities. EB representatives assisted in preparing and submitting 302 tax returns for LMI tax filers in 2009.

EB also identified the need for financial education training for LMI students. EB officers and employees provided training to students at three different Title 1 schools through a local financial education program, which is intended to provide a more secure financial foundation to students. The program has been offered in schools for many years and covers numerous facets of the financial industry. EB employees contribute to this program by providing their time and financial expertise to teach students. Areas include financial education, business, economics, and the free enterprise system. The time volunteered by EB personnel has had a positive impact on numerous students, with one school noting that approximately 500 students a year receive the benefits of participating in this program.

Another of EB's CD service activities that meet an identified need include working with a non-profit agency that helps low-income women (primarily single mothers) find long term employment.

APPENDIX A

SCOPE OF EXAMINATION

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		January 1, 2005 through December 31, 2009 (2006 excluded)	
FINANCIAL INSTITUTION EnerBank USA Salt Lake City, Utah		PRODUCTS REVIEWED CD Loans, Investments, Grants, and Services	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Salt Lake County	Full-scope On-site	Main Office	NA